

ENERGY EFFICIENCY AND RESOURCE MANAGEMENT COUNCIL

Minutes-February 10, 2011

Conference Room C, Second Floor DOA

Call to Order: The meeting was called to order by Chairman Ryan at 3:45 PM

Members Present: Paul Ryan, Joe Newsome, Marion Gold, Christopher Powell, Ken Payne, Joe Cirillo, Abigail Anthony

Staff Present: Charles Hawkins

Consultants: Scudder Parker, David Hill and Mike Guerard

Others Present: Tom Teehan, Jeremy Newberger, Rachel Henschel, Brian Kearney, Josh Croft, Karl Munzel, Chris Kearns, Bill Codner, (by teleconference)

Acceptance of Minutes: Marion Gold made a motion to accept the January minutes. It was seconded by Chris Powell and passed unanimously.

VEIC Presentation of Customer Sited Renewable Energy Markets

VEIC's David Hill gave a power point presentation (attached) of customer cited renewable energy options, including solar hot water (SHW), PV & wind along with lessons from other states on how to design incentives to move the market.

RI has better solar resources than countries like Germany & Japan while wind resources are mostly limited to off shore applications.

SHW is a proven technology that can provide 60-70% of annual load and can achieve positive customer economics with little additional incentive as long as it is sized properly. The initial focus has been on residential systems and has targeted electric hot water accounts. Chris P. asked why electric accounts were targeted and where was the sweet spot as far as cost was concerned. An example would be Vermont where an \$800 incentive on an \$8,000 system has been able to move the market.

Small wind is a limited residential market in RI and is very site specific. Bad siting can really hurt performance and it is important to educate the customers. Wind also benefits from economies of scale and therefore community based projects have more potential. Any incentive should be performance based to prevent bad siting.

There has been a 50% growth rate with PV and production has been stronger than demand, which has caused downward price pressure. This trend means that programs need to continue progress towards lower installed costs and lower incentive levels. The US is lagging

behind both Europe and China; the Europeans are now pulling back from feed in tariffs. California & NJ dominant the US market, and the top 5 states have 80% of the market. States need to identify themselves in the competitive landscape. State solar markets without incentives are not likely to develop. States with smaller markets have higher prices. Using a utility driven approach Florida has moved to number 3 in the US.

The foundation of the PV market is net metering but it needs to be consistent. Other components are: workforce development; customer education; and financial incentives like rebates, RPS, tax incentives and feed in tariffs. Rebates can be capacity based or performance based (net metering). As the market grows you want declining incentives.

Twenty-nine states, including RI, have adopted RPS Standards, while 14 have established solar set-asides. SRECs are driving the solar market in NJ. With this you need to have an alternative compliance payment. SREC spot market prices have trended upwards in NJ. Capacity coming on line is expected to put significant downward pressure on prices.

Tax credits, especially the new federal grant in lieu of credit program, helped drive the market in 2010. State tax credits and sales and property tax exemptions are other tools that are used. Feed in tariffs are another incentive, but they are being challenged under FERC and

PURPA. Vermont has a feed in tariff program, however, David H. expressed reservations about them because they do not have the same type of market dynamic pressure as well designed incentives or RPS, they are much more popular in Europe but there are some key legal issues. They have been challenged in California. Some other innovative approaches include community scale development, customer aggregation, utility geo-targeting and integrating renewable energy with deep EE retrofits.

In closing, an orderly RE market is supported by: multi year commitments, declining incentives, training and workforce development, competitive pressure and good communications. The goal is energy diversity, economic development and rescued environmental impact. The last slide was a graph that documents how carbon reductions can be achieved in a way that is economically feasible and it shows that EE is the top piece and the renewable are the other wedges down below. Chris P. said Brown integrated solar and EE in a project and the payback was still good.

Marion G. asked if NJ was a good model with their gradually declining incentives. Yes, they have sustained growth in the NJ solar market. Marion G. said she was surprised that solar was only 2% of the electricity demand. Chris P. said that was why EE had the biggest wedge on the graph. David H. said however, that there is great growth potential in solar.

Executive Director's Report

The OER will be hiring new personal and the good news is that Chief Fiscal Officer Teri Brooks is returning to the staff.

OER is at a pivotal point with ARRA and the office is bringing back funding that was obligated but not spent. The money will be reprogrammed to projects that can be completed before the March 2012 deadline. Funding will be going to rebates and programs that are already designed as opposed to projects that require NEPA review. OER will have a better idea of funds available during the next month.

Docket-10-126 (Portsmouth Net Metering Case) has resulted in substantial uncertainty in the RI renewable energy industry. Ken P. felt that it was an issue meriting intervention in the docket. The issue is also being brought to the attention of the House Task Force on Small Business for Renewable Energy

OER has authorized a third crisis grant for LIHEAP clients and capped it at 100 gallons. That means with the primary and 2 crisis grants a low income household would have received approximately 100 gallons of oil. The President's budget includes a 38% cut in LIHEAP for the next heating season. OER will have to plan for next winter this spring, because legislative action may be needed.

Chris P. asked if LIHEAP clients are in WAP. Ken said that if you get LIHEAP you can get WAP but not everyone does. OER spends approximately \$10M a year on weatherization and has ramped up efforts to double the amount of homes completed. It appears that the OER can sustain this level. Chris P. asked how many households were being weatherized by WAP. With 38, 000 LIHEAP clients 2,000 dwelling units a year are being weatherized. Can the Council think out of the box on this? Can we make bigger strides? Can new technology help? Chris P. would like to form a sub-committee and start brainstorming this issue. Joe N. suggested looking at best practices in other states.

OLD BUSINESS

Report on EDC/OER/NGrid Meeting on C&I EE Loan Initiative

A productive meeting was held that included NGrid, the EDC & OER to utilize ARRA funds to capitalize a zero interest loan program. 50% of the project cost would come out of NGrid LCP C&I program funds and the other 50% would come from a zero interest loan that would be administered by EDC. Cooperation between the parties is gratifying. Scudder P. asked if it required legislation action. No, EDC has the authority it needs. Jeremy N. also said that it allows customers to go to one place for service.

Status of the PUC Decision on the 2011 Gas EE Budget

Abigail A. reported that NGrid submitted their PUC required compliance filing on the gas side to reflect the reduced budget resulting from the rejection of the increase in the gas DSM. This was done on February 8th. It reflects in a 66% lower budget than the one presented in the EEPP. Tom T. added that PUC also approved the electric DSM at the full amount recommended by the Council.

VEIC Monthly Update

Scudder P. provided written reports for both January & February (attached) that describe their activities including reviewing NGrid's compliance filing for the revised gas budget. They also provided recommendations for the NGrid RFP on the Energy Wise Program. Other activities included reviewing the modifications to the SR Standards and looking at what needs to be changed from the plan that was formulated 3 years ago. VEIC has also been helping to lay the groundwork for the Annual Plan.

Going forward activities will include finalizing the design and delivery of the Energy Wise Program and developing a scope for reporting on best practices for low-income programs.

NEW BUSINESS

Discussion of the Annual Report to the Legislature-due April 1st

It was agreed that the Annual Report will be on the agenda for the March meeting. In the meantime, VEIC will be drafting up some proposals for recommendations to the report to present in March. The balance of the report will be similar to last year with new recommendations. VEIC will help more this year on the production of the report.

Chris P. asked when VEIC would be ready to give a presentation on low income best practices. Scudder P. said a preliminary report could be presented in March. It was agreed that VEIC will give a presentation at the March meeting on best low income practices in other states. They will also report on EE in federal housing policy. Jeremy N. volunteered NGrid participation in this sub-committee.

Discussion of System Reliability (SR) Standards-due March 1st

There is a March 1st statutory deadline for the Council to make recommendations for SR and LCP to the PUC. Jeremy N. said that it is a report on LCP guidelines. Abigail said that a sub-committee needs to be formed to work on recommendation and possible changes to the standards and authorize that sub-committee to submit them to the PUC by March 1st. Paul R. suggested that a motion be made to authorize the sub-committee with the caveat that at the March 15th meeting the council can submit a supplemental

submission to the PUC or ratify it with no changes.

Scudder P. suggested putting in a footnote that says the SR Plan applies equally to gas as well as electric. He also pointed to the section that refers to sources of funding. He proposed changing the five sources of funding by taking out distribution rates and referencing decoupling instead.

NGrid has developed a policy statement on SR that has been signed by 4 VPs that they will be forwarding to the Council & VEIC. Scudder P. said this document reflects substantial progress in giving form and substance to a piece of the LCP law that was not well defined. Scudder P. said that the NGrid work being done by Doug Smith and his group is cutting edge. Jeremy N. said that these SR guidelines will be the driver for the new 3 year EEPP.

Paul R. asked for a motion to establish a sub-committee to make recommendations for the SR Standards. Abigail A. made the motion; it was seconded by Chris P., and passed unanimously. The sub-committee will be Marion Gold, Abigail Anthony, Jeremy Newberger and NGrid's Doug Smith.

A second motion was made to authorize the sub-committee to submit the standards on March 1st to the PUC subject to latter ratification by the EERMC of the submission as is, or with minor modifications. It was moved by Marion G. and seconded by Abigail A. and passed

unanimously.

VEIC will send a draft to members with track changes.

Public Comment

Brian Kearney of NGrid wanted to make council member aware that NGrid is hosting training for IECC 2009 energy codes. They have met with RI Code Commissioner Jack Leighton and all of the code commissioners will be issued continuing education credits. It will be held on 2/24 at the Crown Plaza Hotel. They are expecting a turnout of 150.

Joe N. made a motion to adjourn; it was seconded by Paul R., and passed unanimously. The meeting was adjourned at 5:50 PM.

Respectfully submitted

Charles Hawkins

Secretary Pro-tempore